

MICHIGAN DEPARTMENT OF COMMUNITY HEALTH

NOTICE OF PROPOSED POLICY

Public Act 280 of 1939, as amended, and consultation guidelines for Medicaid policy provide an opportunity to review proposed changes in Medicaid policies and procedures.

Please review the policy summary and the attached materials that describe the specific changes being proposed. Let us know why you support the change or oppose the change.

Submit your comments to the analyst by the due date specified. Your comments must be received by the due date to be considered for the final policy bulletin.

Thank you for participating in the consultation process.



Director, Program Policy Division
Bureau of Medicaid Policy and Actuarial Services

Project Number:	0410-Hospital	Comments Due:	May 12, 2004	Proposed Effective Date:	As indicated
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Policy Subject: Update to Medicaid Access to Care Initiative

Affected Programs: Medicaid, Children's Special Health Care Services

Distribution: Hospital

Policy Summary: Increases the size of the MACI pools by \$82 million from \$177.5 million to \$259.5 million for FY'04. Makes the pay-out pools permanent for FY 2004 and beyond.

Proposed Policy Draft

Michigan Department of Community Health
Medical Services Administration

Distribution: Hospital 04-XX
Medicaid Health Plans 04-XX

Issued: XX – XX - 2004

Subject: Update to Medicaid Access to Care Initiative

Effective: As Indicated

Programs Affected: Medicaid, Children's Special Health Care Services (CSHCS)

Expansion & Extension of Hospital QAAP

To ensure continued access for Medicaid beneficiaries to high quality hospital care, the Michigan Department of Community Health (MDCH) is establishing a number of special funding pools. To keep payments within the Medicare upper payment limit, separate pools will be established for privately-owned or -operated hospitals and non-state government-owned or -operated hospitals for both inpatient and outpatient hospital services. Only hospitals located within Michigan, enrolled in the Medicaid program, open, treating, and admitting Medicaid fee for service (FFS) and managed care beneficiaries ten (10) days prior to a scheduled payment will be eligible to receive distributions from these pools.

The policy below describes pools sizes and a methodology that conforms to the State fiscal year. For FY 2004, the policy is effective April 1, 2004 and applies only to the second half of the year. This first year's pool sizes will be increased by 50% of the difference between the pools established in this bulletin and the MACI pools that are in Section 7.6, *Medicaid Access to Care Initiative*, in the Hospital Reimbursement Appendix of the Medicaid Provider Manual. The methodology and timetables for claims described in this bulletin will apply for FY 2004 as if the policy had been effective from the start of the year. For FY 2004, the expansion of the hospital pools covered in this bulletin will be in addition to, and will supplement, the existing hospital pools covered in Section 7.6 of the Hospital Reimbursement Appendix.

The full pool sizes will be annually renewable for fiscal years on and after 2005.

The distribution of payments from the pools supplements the hospital's regular DRG and per diem payments (for rehabilitation units and hospitals) and are not considered part of the fee for service (FFS) reimbursement. Other Medicaid payers that normally match MDCH's FFS payments to medical providers are not required to match the distribution payments from the pools described in this bulletin as part of their FFS payments.

Payment Share

Inpatient Paid Claims File

To determine each hospital's share of the pool, MDCH will use paid claims for the fiscal year ending two years prior to the current fiscal year. Claims will be restricted to those paid by September 30th of the following fiscal year (e.g., paid claims from FY 2002 will be used to calculate payments in FY 2004 with claims limited to those paid by September 30, 2003). The paid claims file will include all FFS payments made through the Medicaid invoice processing system including DRG and per diem payments, DRG outliers payments, Medicare co-payments, and claims paid based on a percent of charge. Paid claims will include those with other insurance and patient-pay amounts. Claims will be limited to those for Medicaid patients. Inpatient services will include both acute and rehabilitation services provided through distinct part rehabilitation units and freestanding rehabilitation hospitals. Services paid to LTC providers will be included. Payments made outside the invoice processing system, such as capital, graduate medical education (GME), and disproportionate share hospital (DSH), will not be included in the paid claims file used to distribute the MACI pools.

Outpatient Paid Claims File

Creation of the outpatient paid claims file will be done using the same criteria as used for the inpatient paid claims file as explained above. As with the inpatient paid claims file, special payment adjustments made outside the Medicaid invoice processing system will be excluded.

Paid claims will be limited to those for Medicaid patients.

Pool Sizes

	Pool Sizes Million Dollars		
	FY'04 MACI Pools	FY'04 Supplemental	FY'05 MACI Pools*
Privately-Owned or -Operated Hospitals			
Inpatient	\$ 120.0	\$ 57.0	\$ 245.7
Outpatient	35.0	14.0	66.1
Non-State Government-Owned or -Operated Hospitals			
Inpatient	19.0	8.0	36.7
Outpatient	3.5	3.0	9.9
TOTAL	\$ 177.5	\$ 82.0	\$ 358.4

*The FY'05 MACI pools are equal to the FY'04 MACI pools, plus twice the FY'04 supplemental amounts, and five percent added for inflation.

Allocation of Pool

Each eligible hospital will share proportionately from the individual pools based upon its total Medicaid paid claims, divided by the total Medicaid paid claims for all eligible hospitals, times the dollar amount of the individual pool.

Upper Payment Limit

Michigan Medicaid payments will not be allowed to exceed the federal upper payment limit (UPL). Prior to distributing funds from each of the four pools, payments will be compared to the State's UPL for the current year. In comparing payments against the UPL, the following priority will be used:

1. FFS Payments from the Medicaid Invoice Processing System
2. Payments made for capital
3. Graduate Medical Education – the share allocated to FFS
4. MACI payments described in Section 7.6 of the Hospital Reimbursement Appendix
5. Special payments for poison control
6. Executive Order recovery amounts
7. Medicaid Access to Care payments described in this bulletin

In the event that payments under this policy should cause overall payments to exceed the UPL, the size of each affected pool described in this bulletin will be reduced to keep overall payments under the UPL.

Payment Schedule

Payments will be made only after MDCH has received approval for this policy from the Center for Medicare & Medicaid Services. Once approval has been received, the initial payment will be made within 45 days. Subsequent payments will be made within 45 days of the beginning of each quarter. Quarterly payments will be made in four equal installments based on the annual amount each hospital is eligible to receive.

Hospital payments made under this policy will be limited to 125% of a hospital's current fiscal year costs. If a hospital exceeds its cost limit, closes, or is determined ineligible to receive funds from a pool, its funds will be redistributed to the remaining eligible hospitals based on the original distribution formula. All funds from all four pools will be distributed to eligible hospitals.